

Message Text

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C O N F I D E N T I A L CARACAS 10391

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TAGS: ENRG

SUBJ: NOTE VERBALE ON INCREASE IN GOV OIL TAX

REF: STATE 230773

1. THERE ARE INDEED " OVERRIDING REASONS TO THE CONTRARY" (PARA 1, REFTEL) WHICH IMPEL ME TO SUGGEST A MODIFICATION OF OUR CONTEMPLATED NOTE VERBALE AND A SOMEWHAT DIFFERENT APPROACH TO GOV. IN THIS I AM ENCOURAGED BY PARA 10 REFTEL WHICH INSTRUCTS ME TO INFORM THE VENEZUELAN GOVT IN ACKNOWLEDGING PRESIDENT PEREZ' LETTER OF SEP 19 THAT WE ARE PREPARED TO HAVE A SERIOUS DIALOGUE ON THE MATTERS DISCUSSED THE REIN.

2. SINCE THE TEXT OF DEPT'S NOTE VERBALE WAS DRAFTED, THERE HAVE BEEN SEVERAL IMPORTANT RECENT DEVELOPMENTS IN VENEZUELA WHICH AT THE SAME TIME HAVE HARDENED AND INFLAMED POPULAR OPINION ON THE QUESTION OF OIL. FOR EXAMPLE, ON OCT 18 THE INFLUENTIAL MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, PEREZ GUERRERO, IN A SPEECH TO UNCTAD MADE STATEMENTS SUCH AS " THE COUNTRIES OF THE THIRD WORLD HAVE ARRIVED AT A POINT OF NO RETURN IN THE STRUGGLE FOR JUST AND EQUITABLE TREATMENT." HE ADDED THAT "THE MEMBERS OF OPEC ARE DISPOSED TO NEGOTIATE IN ORDER THAT THE ENERGY PROBLEM MAY BE TREATED IN THE FRAMEWORK OF THE GLOBAL ECONOMIC CRISIS OF THE WORLD." HE ADDED " AS PRESIDENT CARLOS ANDRES PEREZ HAS SAID, THE PETROLEUM PROBLEM SHOULD BE RESOLVED

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WITHIN THE FRAMEWORK OF ALL PRIMARY MATERIALS AND EXPORTABLE

PRODUCTS OF THE THIRD WORLD."

3. I CITE THESE STATEMENTS BY PRESIDENT PEREZ'S PRINCIPAL ECONOMIC ADVISOR BECAUSE THEY WILL BE CRITICAL TO THAT "SERIOUS DIALOGUE" WHICH USG PROPOSES ACCORDING TO PARA 10 REFTEL

4. FURTHERMORE, YESTERDAY'S CARACAS PAPERS FRONT-PAGED A HIGHLY DETAILED AND TECHNICAL REPORT BY THE FOUNDING FATHER OF OPEC, PEREZ ALFONSO, IN WHICH, IN ADDITION TO CRITICIZING PAST AND PRESENT VENEZUELAN GOVT ON WHAT HE REGARDS AS A PROFLIGATE OIL POLICY, HE TAKES EQUALLY VIGOROUS SWINGS AT THE US. FOR EXAMPLE, PEREZ ALFONZO SAYS " FORD AND KISSINGER HAVE BUILT A SMOKE SCREEN TO DIVERT THE ATTENTION OF DEFRAUDED CONSUMERS FROM THE PETROLEUM COMPANIES WHICH OBTAIN GIGANTIC PROFITS.". HE GOES ON WITH SUCH OBITER DICTA AS CALLING THE US A "VORACIOUS AND DANGEROUS SUPERPOWER" AND WARNS THAT PRESIDENT FORD AND US SECRETARY OF STATE KISSINGER HADNOT COUNTED ON THE "SPANISH TEMPER INHERITED IN THESE PARTS". THESE ASPERSIONS ARE UNOFFICIAL, BUT THEY ECHO POPULAR OPINION, AND FEW VENEZUELAN POLITICIANS IN OR OUT OF GOVT WILL DARE TO SAY LESS IF WE PROVOKE THEM TO IT.

5. SO MUCH FOR THE RECENT BACKGROUND, IN FACT SO RECENT AS TO COVER ONLY THE PAST FOUR DAYS, AGAINST WHICH WE ARE REQUESTED TO PRESENT THE DEPT'S NOTE VERBALE. IF INDEED WE ARE NOW PREPARED TO HAVE A "SERIOUS DIALOGUE" WE SHOULD WISH TO INITIATE SUCH A DIALOGUE AGAINST THE BEST POSSIBLE BACKGROUND FOR A SUCCESSFUL OUTCOME. I SUBMIT (AND IN THIS ALL MY SENIOR OFFICERS CONCUR) THAT THE MOMENT IS NOT PROPITIOUS FOR SENDING IN A NOTE VERBALE SOME OF WHOSE GENERAL TERMS MIGHT CAUSE VENEZUELAN TO WONDER WHY THEY ESPECIALLY ARE BEING CHALLENGED, BUT WHOSE MORE SPECIFIC TERMS E.G., PARA 2 THRU 4- CONSTITUTE IN FACT A VALID PROTEST. WE FEAR THAT SHOULD PRESIDENT PEREZ READ THE NOTE VERBALE AS NOW SET FORTH REFTEL THERE WOULD BE AN INSTANT EXPULSION, AS HAPPENED LAST SUMMER IN THE PRESIDENT'S BITTER REACTION TO OUR AIDE MEMOIRE OF JUL 9.

6. IN CONSEQUENCE I RESPECTFULLY SUGGEST THAT WE CONFINE OUR PRESENT WRITTEN STATEMENT TO A NOTE VERBALE WHOSE

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RECOMMENDED TERMS FOLLOW IN MY NEXT SUCCEEDING TELEGRAM (IN EFFECT, PARA 2-4 REFTEL. I WOULD PROPOSE ORALLY IN MY MEETING WITH FOREIGN MINISTER SCHACHT TO SAY THAT WE ARE CAREFULLY STUDYING NOT ONLY PRESIDENT PEREZ'S LETTER OF SEP 19 BUT ALSO IMPORTANT RECENT PUBLIC STATEMENTS BY VENEZUELAN OFFICIALS. WE WOULD SUGGEST THE ESTABLISHMENT OF A WORKING GROUP HERE IN CARACAS MADE UP OF QUALIFIED SUBORDINATE OFFICIALS OF THE VENEZUELAN GOVT AND IN GENERAL THE EMBASSY ECONOMIC STAFF TO SEARCH OUT

ITMES OF POSSIBLE AGREEMENT AND DISAGREEMENT. AS RECOMMENDED
NSSM 203, THIS WOULD ENABLE SENIOR OFFICIALS THEN TO SIT DOWN
IN A CALMER ATMOSPHERE TO LOOK WHERE THE US AND VENEZUELA STAND
TODAY AND WHAT SOLUTIONS TO MUTUAL ADVANTAGE MIGHT BE
FOUND.
MCCLINTOCK

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